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Rajinder Sahota
Chief, Industrial Strategies Division
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: RPMG Comments on LCFS Fuels Workshop

Ms. Sahota, and the LCFS team:

RPMG Inc. (RPMG) appreciates the opportunity to comment on this early preview of potential Low Carbon Fuel Standard (LCFS) changes highlighted at the recent workshop[1].

As a biofuel marketing company, RPMG partners with ethanol facilities located throughout the Midwest to provide both ethanol and distiller's corn oil (DCO) as essential renewable fuel and low-CI feedstock to the California fuels market. Since the program's inception over a decade ago, we have encouraged CARB to implement and maintain fuel-neutral transportation polices. The ethanol industry, and RPMG affiliated plants have continually focused on innovation and real-world near-term GHG reductions.

The LCFS program has been a beacon for innovation and investments in cleaner burning fuels and infrastructure. CARB should be commended for this durable policy signal. However, RPMG believes policies that are inconsistent with the stated "fuel-neutral" approach weakens and, in some cases, eliminates that signal. The LCFS can play a critical role in the entire Carbon Neutrality picture for the state, if the program looks to incentivize carbon intensity reductions and not exclusively a preferred transportation fuel. Additional carbon intensity reductions are not only possible but are coming due to investments already made. For example, we have seen a dramatic increase in corn kernel fiber ethanol, as well as large investments by facilities for CI reducing projects including Carbon Capture and Sequestration and increased supply capacity of Renewable Diesel. RPMG and our affiliated producers are committed to the continuation of innovation at ever increasing rates for the products we supply to California.

We recognize CARB's efforts to implement AB/SB 32 to reduce greenhouse gases and appreciate the State's current recognition of the value of low-carbon biofuels. Even with the Governor's recent Executive Order focused on tailpipe zero-emission vehicles, liquid transportation fuels will be needed for the foreseeable future, making biofuels an essential tool for lowering GHG emissions in the transportation sector. Therefore, it is critical that the State continue to focus on fuel-neutral programs and send appropriate investment signals via the LCFS regulation., Such signals garner market impacts which produce reductions the carbon intensity of ***all fuels*** sold and used in California. Many issues were raised during the two-day workshop. RPMG is providing comments on a few of those items most relevant to biofuels and the LCFS marketplace.

All slide references below refer to the Day 1 CARB presentation.[2]

> Slide 15 – Credit True-up for Temporary Fuel Pathway CIs
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> RPMG is supportive of credit true ups for temporary fuel pathway CIs. The nature of the current Temporary CIs is by design conservative and can be punitive. If an entity can show a lower actual CI, they should receive the value for the actual CI. The proposed change would mitigate financial burdens experienced by

[1] https://ww2.arb.ca.gov/our-work/programs/low-carbon-fuel-standard/lcfs-meetings-and-workshops

[2] https://ww2.arb.ca.gov/sites/default/files/2020-10/101420presentation_carb.pdf

pathway holders due to delays in the pathway review and approval process. This is consistent with other provisions of the regulation that promote and reward constant innovation.

Slide 16 – Miscellaneous Provisions

Improved clarity and transparency of process and implementation is a positive step that RPMG would be supportive of in concept. There are a variety of questions left unaddressed related to these provisions expressed in the presentation.

For example, RPMG will reach out to CARB concerning the statement "Staff is considering clarifying how to determine a 24-month period depending on the time of application submission." The "most recent" 24 months data may actually include times of non-steady state operation, which should be excluded. Any blanket locking in of 24 months is not a positive directional change, though discussion on additional clarity on how to determine applicable operational data is welcomed.

The third bullet staff is proposing "adding procedural detail about removal of provisional status" should be a positive, but additional discussion is needed before a definitive comment can be provided. Specifically, the details of the procedural actions should not create unintended consequences to reported periods of activity or a reporting party's credit bank.

Slide 21 - Registration in LCFS Data Management System (LDMS)

RPMG would be supportive of a consolidated registration system that would be simpler and more streamlined. As with any IT changes, allowing plenty of stakeholder input and lead times are critical components to a successful rollout.

Slide 25 – Data Accuracy Provisions and Inclusion of Reported Data

RPMG has previously commented that aligning LCFS regulation with the MRR is not necessarily needed or a natural positive change. There are many LCFS entities who do not participate in the Cap-and-Trade or MRR programs. RPMG is such an entity, therefore it is difficult to determine the impacts of the proposal on our affiliate producers' operations without more details. "Missing data" appears 142 times in the MRR, as such additional details are needed to comment. We look forward to talking about this issue further with CARB LCFS staff.

In addition to the issues brought up by CARB, RPMG would like to suggest the following potential amendments to the LCFS regulation.

- As mentioned by several stakeholders, and with the M-RETS presentation on Day #2, the concept of indirect accounting of biogas as a process fuel for biofuel facilities would be a positive development. RPMG believes that additional CI reductions are available for the program if such accounting were allowed. This would be consistent with other book-and-claim accounting allowed for under the current LCFS. RPMG strongly urges CARB to adopt this as soon as practical. If the agency were to move ahead with two rulemakings this item should be accomplished in those administrative and implementation proposals. This concept capitalizes on the material environmental benefits that reductions in emissions provide today as more valuable than compared to increased mitigation efforts in the future. It further signals to pathway holders to capture these benefits now and implement demand for process energy reduction sources as soon as possible.

- The current regulation combines CCS buffer pool credits with those of regular pathway surplus credits. RPMG recommends separating these into two separate accounts such that invalidated pathways would not impact the supply of CCS leak risk credits, if they were ever needed. RPMG can walk through the concerns but wanted to highlight them here.

Day #2 presentations:

RPMG would not be supportive of changes to the regulation to provide additional “capacity” or “advancement” of LCFS credits. These types of mechanisms undermine the investments made and the current market dynamics.

RPMG would like to again thank staff for the opportunity to focus on these important issues. Please contact me at (952) 465-3247(jwhoffmann@rpmgllc.com), or our Sacramento representative, Jon Costantino at 916-716-3455 (jon@tradesmanadvisors.com) with any questions or comments.

Sincerely,

/s/

Jessica W. Hoffmann
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RPMG Inc.